SUPPORT FOR ECONOMIC AND FISCAL REFORM PROJECT

Module #1

INTRODUCTION TO THE BUDGET CODE OF UKRAINE

TRAINER'S GUIDE

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Introduction to the Budget Code of Ukraine. Trainer's Guide. Based on the research and assistance of Serhiy Melnyk, Victor Polischuk, Valentin Kostiuk, Anatoliy Tykhonchuk and Victor Teres.

This publication, which includes teaching methods, is to assist trainers in the first module of the Budget Code Training Program requested and approved by the Ministry of Finance of Ukraine, and implemented by Development Alternatives, Inc. under the auspices of the Support for Economic and Fiscal Reform Project (SEFR).

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Practical Methodological Recommendations for Conducting Training of Trainers

An Introduction

All the countries of the world try to solve the problems of cities, regions and villages in the most effective way, but it is more difficult in the countries, such as Ukraine, with transitional economies. Rapid changes in the countries that are moving towards a market economy and the necessity "to do more while spending less" demand qualified managers that know how to work in such conditions.

With the approval of the new Budget Code, Ukraine is about to turn the first page of a new chapter in the development of its budgetary system. The existing system inherited from the period of a command economy is a system of non-transparent, arbitrary and virtually uncontrolled decisions regarding the allocation of budgetary funds. Clearly, such a system does not fit the strategic objective of the development of Ukraine as a modern style democracy with a flourishing market economy. In contrast, the Budget Code provides coherent, transparent and uniform rules for a more efficient budgetary system. This manual, *Introduction to the Budget Code of Ukraine,* is the first step towards educating financial officials in the major provisions of the Budget Code while increasing their analytical skills.

However, no one can expect that the budget reforms envisaged by the Budget Code would be accomplished in a period of few months or even a year. A few years may be needed for fine-turning and adjusting separate parts of the new budgetary mechanism before the entire system can function as smoothly as it should. Thus, permanent monitoring of the reform process is needed for timely identification and resolution of problems.

This section on "Practical Methodological Directions" for conducting "The Introduction to the Budget Code" training course is for two types of audiences: professional trainers and financial experts who are being trained as trainers.

Its aim is to:

1) familiarize trainers with the process of teaching adults; and
2) assist the trainees in developing new skills and tactics to implement the main regulations of the Budget Code of Ukraine at every level: city, region, district, and village.

Along with providing a considerable amount of knowledge about the strategies and concepts of the budgetary process in Ukraine, this Manual, in contrast to a more traditional training approach, also includes exercises and case-studies that are to help the trainer and the participants in applying these strategies and concepts in solving real problems in the local budget process. The "Practical Directions" section includes different ways of using these materials, both in the training room and at the place of work. The application of an adult education methodology and the use of practical examples results in a proven approach to successful training.

<u>Basic Points</u>

The teaching material of this section is based on some major basic points recognized by the authors, who have also been implementing these for seven years as trainers. Some of these points are based on their knowledge of how organizations operate, how managers control them and how trainees learn.

1. The most effective way of teaching includes theory was well as practice, and the possibility to associate and implement these theoretical and practical studies with what the trainee does at his/her place of work.
2. The effectiveness of this methodology improves if the trainer combines the broadening of knowledge, development of skills, and a change in relations with assisting the trainee to finish the program of study with a sense of accomplishment e.g. mastering of the *The Introduction to the Budget Code.*
3. The program of study cannot be considered successful if there is no exchange of knowledge and experience between all the trainees. Therefore, the trainer must devote some time to communication within and between the groups of trainees. Some trainers try to fit too many activities and information into a very short period of time. However, there should be enough time for all the participants to exchange and discuss their ideas and experience.
4. Adult trainees not only need time to think about the acquired knowledge and skills, but also to be encouraged to do just that. The trainer should create possibilities and find the incentives to help the trainees review their own experience in a systematized way.
5. At every opportunity the trainer must pay attention to individual and group forms of work. If the group works unproductively and/or inattentively the trainees need to understand their behavior. Very often such behavior is a reflection of their style of work. Ignoring such behavior is as if it is acceptable and thus reinforces this type of behavior. This approach will also strengthen self-understanding of an unproductive style of work and offer alternative ways, as individuals and members of a team.
6. Individual or mini-group studies that reflect the reality of the work environment will reveal differences in attitudes to work and work styles. The duty of the trainer is to help the trainees understand their own attitudes and to improve their attitude and work style.

Professional Standards for Trainers

Team Training International, Ltd.

1. *Creation/Adaptation of programmes*

Whether a professional trainer is responsible for creating and animating a new programme or only for the animation of an existing programme, s/he must be aware that a good training programme meets the criteria below. A professionally designed programme takes into consideration 5 phases:

- **Assessing the Need • Designing the Framework • Developing the Content**
- **Evaluating the Results Animating***

*(*This responsibility is covered separately under both "Preparation" and "Animation")*

A. ASSESSING THE NEEDS

Before animating a programme the professional trainer should check/ensure that a needs assessment has answered the following questions:

- **WHY** is the programme needed? What, specifically is happening now to justify running a training programme?
- **WHAT** skills, knowledge or attitude deficiencies are contributing to the problem?
- **WHO** has been selected to attend the programme? How were they selected? What are their individual deficiencies and what range of deficiencies exists within the targeted participant group?

B. DESIGNING THE FRAMEWORK

Before animating a programme, the professional trainer should check/ensure that:

- The design specifies what is to be changed (skills, knowledge, attitudes)
- The design specifies how change objectives will be measured
- Sessions are sequenced so as to build on each other

C.DEVELOPING THE CONTENT

Before animating a programme, the professional trainer should check/ensure that it contains:

- An introduction covering - The programme "rationale" (why, what, who)
- – The programme objectives (specific change) - The programme outline and schedule
- – Expected roles/behaviour (trainer and participants)
- An inclusion activity (icebreaker) per day
- Modules with maximum 5 learning points with a linking memory device of some kind
- Regular changes of medium/teaching method (at least every 10 minutes)
- For each learning point:
- – An explanation/discussion
- – A demonstration (example, analogy, demo)
- – An exercise to practise new learning
- – A guidance/correction activity
- A contingency plan for slow and/or reluctant learners
- A pattern of repetition of key concepts so that learning is reinforced and used for the next step
- Materials (visual aids, handouts etc.) which meet the "Preparation of Support Devices" standards
- Breaks at least every 90 minutes
- A recap of each module

D. EVALUATING THE RESULTS

Before animating a programme, the professional trainer should check/ensure that there is a programme evaluation cycle containing:

• A device to measure participants' pre-programme competence on relevant topics • Devices to obtain feedback during the programme on the amount, acceptability and applicability of learning • A post-evaluation sheet to measure at least the achievement of programme objectives and trainer effectiveness • A follow-up evaluation after 3-6 months to measure the application of learning

2. Preparation of programmes

The professional trainer should be responsible for the preparation of every programme however many times s/he or anyone else has run it before. We believe that preparing to run a programme concerns not only the training "environment" but, above all, the mental and physical preparation of the trainer. Professional trainers find that their own mental and physical state is actually mirrored in the behaviour of the participants and in the results of the programme. We have divided the responsibility for preparation into 3 sections:

- **Trainer preparation** • **Preparation of the facilities/training room(s)**
- **Preparation of the programme equipment and support devices**

TRAINER PREPARATION

The professional trainer will:

- Arrive at the training site at least one hour before the start of the programme
- Take at least 15 minutes from this time to prepare him/herself:
- Physically (centering energy, preparing grooming, posture and breathing)
- Mentally (visualising the participant group, trying to imagine how they are feeling and asking / answering the question: "How can I best **HELP** these people to change and grow given the programme objectives and organizational culture?")
- Always have a checklist for material, equipment etc. which is personally carried to the training site
- Consciously manage personal energy levels by avoiding temptations to over-eat, over-drink or undersleep before/during the programme
- Keep physically fit with at least one type of exercise per week

FACILITIES PREPARATION

The professional trainer will:

- Decide upon or influence the choice of the venue and/or training room using the following criteria:
- +/-5 square metres per participant
- Controllable heating and ventilation
- Minimum 500 lux lighting (if possible daylight)
- Enough sockets or extension leads
- Take responsibility for room set-up, accessibility and security/safety
- Prepare and test all support devices to meet the standards below (Preparation of Support Devices)
- Arrange tables and chairs to fit programme style
- Ensure that catering arrangements are recorded and fit with schedule
- Visibly and audibly demonstrate respect for all support staff

PREPARATION OF SUPPORT DEVICES

The professional trainer will prepare support devices to meet the following standards:

OVERHEAD PROJECTOR

- Locate projector/screen to maximise visibility
- Check focus and size of image on screen
- Check projector for spare Lamp
- Ensure projector mains lead taped to floor

TRANSPARENCIES meat **FLICK** standard. I.e.:

- have standard Frame use large Letters (Titles = 1-2 cms. Text =0.5-1 cm) • all contain at least one Image
- all contain at least two Colours
- meet the Kiss criterion (only one idea/topic per slide)

FLIP CHART

- Ensure enough flip charts for plenary and groups
- Prepare paper for all flip charts
- Check all markers and change dry ones
- Pre-prepare (fully or with invisible outline/notes)

35 MM SLIDE PROJECTOR

- Test with reduced and full light
- Check all slides for placement and test ALL
- Insert "black" slides at appropriate points

WHITE BOARD/TALKING WALL

- Clean off any previous or irrelevant material
- Check All markers for White Board suitability "Hide" wrong ones to avoid Murphy's law!
- Check "Post-its" and stick-ons (colour/amount)

CASSETTE/COMPACT DISC PLAYER

- Check batteries (where applicable). Test volume
- Check all cassettes/discs
- Ensure all leads are taped or hidden

VIDEO PLAYER, MONITOR AND CAMERA

- Check all pre-recorded and blank video tape
- Test video player for channel and cue first tape
- Test camera and mike battery (if separate)
- Ensure all leads are taped or hidden

HANDOUTS

- Text uses easy-to-read type face (i.e. Times, Helvetica, Courier, Palatine, Bookman, Garamond, New Century etc.) and correct reading level for participants
- Layout and graphics follow professional principles

3. Animation of programmes

We have provided the following measurable standards for bringing a training programme to life which we have divided into 5 parts:

•·Ethics and attitude •·Presentation skills •·Facilitation skills

•·Use of support devices •·Timing

The professional will arrange for a co-trainer to evaluate his/her performance against these specific criteria as well as request direct feedback from participants

ETHICS AND ATTITUDE

The professional trainer will:

- Have committed him/herself to the "mission" on page 1 of this document either verbally or in writing
- Be aware that every individual has a different conception of truth and reality. The trainer will therefore handle his/her own and participants' opinions and beliefs with tact (if asked, no participant will be able to cite a hurtful example of disrespect)
- Organize and manage exercises to encourage participant success and use any apparent failure as feedback for personal development. (No example of tricking or embarrassing participants)
- Always adopt the mind set that the trainers role is to serve and facilitate rather than to control and dominate and have communicated this philosophy to the participant group at least once during the programme
- Not use a training programme as a platform for personal views unrelated to course objectives. (No remarks from participants to trainer or third party)

TIMING

Keep time promises (including time for questions and discussions) out of respect for participants unless group is given responsibility for timing

PRESENTATION SKILLS

The professional trainer will:
Recognize that a professional communicator must exaggerate his/her natural use of voice, eyes, body movements and ...humour! S/he will:

VOICE •·Project voice so all can hear •·Articulate spaces between words • Modulate voice for interesting "light and shade" and use conscious pauses • Pronounce difficult/foreign words correctly • Enunciate space between syllables • Repeat key phrases • Vary speed of delivery

EYES •·Establish sensitive "lighthouse" eye contact with all participants (average 2 seconds on each unless listening/answering a question)

BODY •·Ensure that his/her body posture is congruent with messages • Use open gestures and avoid closed position • Avoid distracting mannerisms (money, keys, markers, notes etc.)

HUMOUR •·Encourage participants to laugh • React with humour to own mistakes • Generate friendly repartee between participants (at least one outburst of laughter per person)

FACILITATION SKILLS

The professional trainer will:

- Have created an open atmosphere by the end of the first half-day. Each participant will have expressed at least one opinion
- Visibly and audibly use positive reinforcement following at least 4 out of 5 participant interventions
- Reflect back all objections to the speaker to check understanding before answering or (in most cases) deflecting to the group for handling
- Take account of significant non-verbal messages from participants and be observed to react immediately to at least two messages per session
- Test for understanding and/or application of learning via closed questions, quizzes etc.
- Lead brainstorming for creative ideas by
- Recording all ideas without evaluating them in any way • Encouraging "crazy" ideas which may trigger others Helping the group to select the best idea (consensus or voting)
- Use "Socratic Direction" when teaching certain modules which require participant commitment. This means ensuring that the group's ideas/answers are shared, recorded and channelled into a suitable learning format - without manipulating participants or information
- Illustrate each process or programme content change by using a support; device
- Manage video and other feedback sessions by
- Separating motivational from developmental feedback
- Manage group exercises by leaving group to work alone while regularly monitoring attention to ask

USE OF SUPPORT DEVICES

The professional trainer will:

- Use at least three devices per session
- Meet following standards for use of support devices
- Use working colour per ns on flips and boards
- Talk to participants not to the flip chart/board (max. 10 seconds before turning to group)
- Ensure that all can see screen/flip/board
- Prepare transparencies and remove backing
- Switch off o/hp between transparencies
- Cue video and audio tapes beforehand
- Prepare handouts chronologically in easy-to-find piles

Definition of Training

Training – is the kind of activity that affects every level of society – economic, social, industrial, organizational, etc.

Very often training is connected with changes in:

- economic, legal or technical spheres;
- the labor market;
- social politics; and
- indexes of activities of the businesses.

So training plays a strategic role.

The main directions of training activities are:

- economic;
- social;
- technical; and
- cultural.

Training also influences:

- personal and professional improvement;
- organizational reorganization; and
- improvement of management culture.

Conditions for effective training:

- personal participation in the training;
- provision for feedback;
- existence of positive emotional climate;
- practice and using one's own experience; and
- an opportunity to change one's behavior.

There is also a set of important conditions that **ensure the effectiveness of the process of training,** if followed:

1. If the person is not stimulated to analyze his/her own behavior, s/he often does not understand how others perceive it, what outcomes it may have, etc.;
2. The training environment must support this process; and
3. In order to learn and change, practice and experience are needed.

The process of training can be divided into four stages:

1. Analysis of needs;
2. Plans;
3. Execution; and
4. Checking of results.

Peculiarities of Teaching Adults

Adult – a person that has reached the understanding of complete responsibility for his/her life, decisions, actions and their outcomes.

Age psychology has determined that an adult is a person 25 or more years old.
The stages of maturity are:

- Early maturity – until 35 years
- Middle maturity – 35 - 45 years
- Late maturity – 45 – 60 years
- Middle age – 60 – 70 years
- Old age – 70 – 90 years
- Longevity – 90 years and more

Characteristic features of the stages of an individual's development

Early maturity period

- Involvement in all spheres of human activities.
- Stabilization of individual's features.
- Attempt to establish intimate relations.
- Demonstration of the first peak of creative abilities.
- Adaptation socially and professionally.
- Formation of personal way of life, position in terms of status.
- Mastering of a profession.
- First psychological crisis of overestimation of living experience.

Middle maturity period

- Need to answer questions such as, "What is life? What were you dreaming of? What did you achieve?" appears.
- Comprehension of the fact that you have lived half of your life (and perhaps a mid-life crisis).
- Overestimation of goals and wishes.
- Will to influence future generations through raising own children and/or making a practical or theoretical contribution to the development of society.

Human behavior in the period of a life crisis

People go through a period of a life crisis in a different way. Some do not understand that this is a crisis and that is why they do not review their plans and achievements. They do not expect anything good from life already, consider that it is already too late to change anything and are sure that it is impossible for them to achieve anything else. Their life may become meaningless, and consequently, they may not continue to develop as individuals.

Others, having understood that it is a crisis, react calmly and evaluate their life, review and correct previous plans, reinterpret achievements, set new goals and work out new plans. They have a good-humored attitude towards themselves and know that these changes are a guarantee of satisfaction with life in their late maturity period.

Late maturity period
For those who made the necessary adjustments when they were younger, this period brings them satisfaction. But for others who did not, they may be uneasy, feel desolate, and concentrate too much on themselves.

For teaching adults, one must understand:
- The specific character of the psychological behavior of adults.
- The definition of mid-life crisis and the peculiarities of human behavior in this period.
- Psychological methods of stimulating adults.
- The difference between males and females and how they learn.
- Ways of optimizing the psychological climate.

Factors that influence the peculiarities of teaching adults:
- Psychological features of age and profession.
- Level of education.
- Personal living experience.
- Reaction to new information

When trying to influence the self-appraisal of a person, the following rules must be taken into consideration:
- Even light criticism of a person can be perceived very negatively; try to be as kind and friendly as possible.
- The level of demands depends on how much the person is sure of his/her own strength.
- The level of demands is revealed in their attempt to gain a good reputation.
- The person perceives the criticism of his/her peer group.
- The person is influenced by the difference in his/her self-appraisal and the appraisal of his peer group.

Methodological recommendations for teaching adults

Below is a list of major points to take into consideration when training adults.

- ***Adults want to know why they have to learn anything***

It is known that adults can spend much time and energy trying to determine what benefits they will receive from acquiring new knowledge and what may happen if they refuse to learn. Often, just the word of their boss that this training would be useful is not convincing. Therefore, the trainer should prepare convincing examples from the real worklives of the participants in the training that illustrate the advantages of having the new knowledgeand skills, as well as the negative outcomes without these.

- ***Adults want to be treated as adults, with respect, and in recognition of their independence***

As was stated earlier, the definition of a person as an “adult” means that s/he has reached the level of awareness when s/he takes all the responsibility for his/her life, for making his/her own decisions and for all their outcomes. Therefore, adults should be trained as those who are completely responsible for their actions, not as young pupils in a classroom waiting to be taught.

- ***Adults have a rich and manifold living experience.***

With age people gather a rich and manifold living experience. Adults have a very special attitude to their experience -- it is something unique, something that had happened to them and nobody else, and something that had happened because of the decisions taken by them on purpose. That is why if the experience of an adult is ignored or is not used, they take it as a non-recognition of themselves as individuals.

The rich source of personal knowledge and experiences of the adults should be used in different ways in the process of training:

- Special methods and techniques, such as analyzing and solving problems, role playing, analysis of specific situations, etc., should be built on specific examples taken from the worklives of the participants;
- The variety of different experiences allows adults to relate their new knowledge and skills to different spheres of their activities, but not only to the situations that are reviewed during the training but to similar ones; and
- An individual approach should be taken for every participant.

- ***Adults start to learn only if the work relates to a definite, achievable goal***

Adults are ready to learn when they know from their own experience that they lack some knowledge and skills that prevented them from fulfilling their work more effectively. Adults start learning to solve some problems they have at work. It is not enough for them just to know anything. They want to know in which way will the new knowledge help them solve their own problems or improve the situation. That is why the choice of topics for teaching adults must be guided by their own goals and needs.

- ***Adults are motivated by both external and internal factors.***

Adults are stimulated to study not only by external factors like their boss' demands, a possible promotion and/orsalary increase, improvement of working conditions, etc., but also by an interest in knowledge, wish to gain respect and self-respect, self-actualization, and an aspiration to power. Thus, to the extent possible, it is important to take the trainees' views on topics into account to ensure the usefulness of the training for all the participants.

Principles of Conducting a "Mini-Lecture"

Mini-lecture – is a method of teaching when the trainer gives important theoretical knowledge or gives an instruction. The information goes one way – from the trainer to the participants. The duration of a mini-lecture is up to 20 minutes.

Mini-lecture – is usually used in work with a large group. It is more effective if the trainees are asked questions. It is also desirable to combine a mini-lecture with other teaching methods, where the participants would be able to use knowledge they received during the mini-lecture in practice.

Mini-lecture – with the use of visualization, it is more effective than an ordinary lecture because it gives the audience an apportunity to see the information as well..

Advantages:	**Disadvantages:**
- Easy to organize - Useful when there is not much time - Transfers the key points of the topic over a short period of time	- Passive role of participants - Danger of being "overloaded" with information - Influences only the hearing channels - Differentiation is impossible - Danger of pseudo-effectiveness - Success depends on the quality of the trainer

Conduct of an "interactive lecture"

Interactive lecture – is a method of active interaction of a trainer and a group whose goal is to search and to finda mutual understanding of the problem being reviewed, basing on the predetermined strategy and tactics of interaction.

An interactive lecture may be built according to the following principles:

a) **"Pendulum"**, when a dialogue is "swinging" between the two connected maxims and during such a dialogue some problems related to each of them are revealed.
b) **"Socratic talks"** – when the trainer, using laws of formal logic, makes trainees give preplanned answers with a set of well thought-out questions.
c) **"Mexican shower"** – when during a dialogue, an idea, developed by the trainees, suddenly changes into a completely opposite one, then returns to the first one again, then to the second one again, for 3 – 4 times.

Advantages of visualization:
- Level of attention concentration increases;
- Important information is divided from non-inessential information;
- Information is memorized better when it is seen and heard at the same time; and
- Useful when it is difficult to present the subject orally.

Rules of visualization techniques:
- Illustrate only the main idea;
- Use not more than three colors;
- Use both capital and small letters in the text;
- Use normal or bold letters, but not italic ones;
- Write all letters the same size; and
- Hold marker correctly so that the color of all the letters is saturated in the same way.

Some recommendations for using methods of visualization:

Usage of the blackboard/flip chart, etc.

1. Write only on a clear surface
2. Divide it into separate functional parts
3. Do not speak while you write on or wipe it
4. Wipe everything that you do not need
5. First draw difficult diagrams with the pencil
6. Do not stand in front of it

Usage of the projector

1. Do not put too much information on each slide/transparency
2. Do not use too many slides during one session
3. Use big letters
4. Use an electronic pointer
5. Do not keep the projector turned on for a long period of time.

Usage of the flip chart

1. Make a heading for every page
2. Change colors
3. Write every new idea on a new page
4. Do not use the back side of the paper

Methodological Recommendations for Conducting a Presentation

Presentation is the appearance of the trainer in front of the audience to show them something in particular, such as the team results in accomplishing a task.

ADVANTAGES	DISADVANTAGES
• High level of motivation • Persuasiveness • Possibility to apply practically new knowledge	• Possible loss of interest of other participants

When working on presentation skills, the trainer must draw the trainees' attention to the following:
1. preparation and beginning of the presentation
2. structure
3. presentational technique
4. usage of the methods of visualization
5. receipt of feedback

Advice to the trainer about a presentation:

1. <u>Preparation</u>

When appearing in front of an audience people usually feel nervous. This phenomenon can be explained by "fear of the unknown". To get rid of this fear it is useful to divide this "unknown" into a number of separate parts and to answer the following questions:

a) Why are you doing this presentation?
- clearly determine the aim of the presentation
- formulate it exactly and succinctly
- according to the aim, decide what needs to be included in the presentation and what can it do without

b) What will you say?
- write down all the facts, examples, arguments

c) Who do you make this presentation for?
- number of people in the audience
- their skills and experience
- possible disagreements

d) Where will you make the presentation?
- equipment, room, etc.

e) In which way will you present your ideas?
- sequence of presentation (ideas and explanations)
- write down everything you are planning to say
- make a rehearsal of the opening and the closing

2. <u>The beginning of a presentation</u>

a) Greeting

b) Personal introduction (name, position, experience)

c) Aim

- What you want to explain, represent, prove with your presentation
- catering to the needs of the audience (it is better to avoid phrases such as "I plan to tell you about…and use ones such as "I hope to tell you in which way … in order to facilitate your work".

d) The course of presentation (duration, place where it will take place, topic)

e) Rules (when you want to hear questions, etc.)

3. Techniques of presentation

a) Articulation

- you need to speak neatly, clearly and loudly
- emphasize when needed with pauses or intonations
- do not "mumble", do not speak through clenched teeth, watch your breathing
- do not make pauses too often or too long but, at the same time, do not speak without pauses at all
- do not use a rising intonation at the end of each sentence

b) Language

- use short words and simple sentences
- use active verbs and concrete nouns
- explain general parts of the presentation with specific examples
- do not use specialized slang if you are not sure that the audience knows it
- do not plan just read written text
- do not try to learn your presentation by heart and then retell it word for word

4. Methods of visualization

- Prepare the blackboard, the flip-chart and other methods of visualization in advance
- Use different visual items that best fit the context of your presentation: drawings, charts, diagrams, drafts, and physical objects.

5. Details

Do not make too detailed of a presentation.If needed, you can include more detailed information in materials distributed to the audience.

6. Feedback

Check whether your estimates or conclusions are right with the help of questions. Therefore, listeners will get more involved and benefit from the new information.

7. Conclusion

Mention the drawbacks or limits of your position as well as the most important advantages. End with a reiteration of the aims of the presentation.

Structure of conclusions:

- sizing up
- recommendations
- proposals for further actions
- references to the literature that was used
- answers to the questions

Methodological Recommendations for Conducting "Pair Discussions"

Pair discussion as a part of a training is usually conducted in four stages:

1. Preparatory
2. Discussion
3. Results of discussion and lecture
4. Feedback

During training **pair discussion** is usually organized between two or three representatives of different teams with participation of all the trainees. The goals are to foster group dynamics and to study the types of behavior of all the participants in conflict situations.

- The preparatory stage begins with the **"topic of discussion"** which can be any task discussed during the training. It is best to use incomplete tasks (models, programs, algorithms) that need the efforts of each group to work them out. The products of this stage could be approval of an algorithm decision, a plan for overcoming a crisis; etc.

Depending on the complexity of the subject, usually about 1.5 hours are allotted for completing the task.

Manual for the first (preparatory) stage

Each team is offered during …(indicate time given) to work out a concept of … (formulate the name) and state it on a page which has the name of the team written on it. Later, one representative of every team will have to discuss this concept with the representatives of other teams so:

a) the product must be readable;
b) there must be enough copies of the product so that every team member has one (to do so copying equipment is used); and
c) the name of the team must be written on every page.

While the teams are busy working on this task (it is best if the teams choose the way they fulfill this task all by themselves), the trainer forms discussion groups, listing the names of the participants in the table on a poster. This table is revealed only after the announcement of the instructions for the second stage -–discussion stage:

	Discussion participants			**points**		
? ? of teams	**"? "**	**"? "**	**"? "**	**"? "**	**"? "**	**"? "**

	Discussion participants			**points**		
? ? of teams	**"? "**	**"? "**	**"? "**	**"? "**	**"? "**	**"? "**
1	*A. Kovalenko*		*T. Sidorin*			
2	*T. Petrov*	*I. Rabinovich*	*K. Chernov*			
3		*U. Dolin*	*P. Levchenko*			
4	*S. Aksenov*	*V. Petrenko*				

5	*N. Sidorov*	*S. Vasev*	*A. Guriev*			
			Total points:			
			Average number of points:			
			Rank:			

At the preparatory stage the trainer also marks with numbers the working places for team discussions.

Manual for the second stage – discussion

Each member of every team must meet with the representatives of other teams, exchange the results of their tasks, study them and evaluate which one of them is better and to what extent. The evaluation will be carried out in the following way:

Evaluation by two representatives from different teams

Divide 100 points in such a way that they would reflect the comparative value of each completed task. For example, if you and your partner think that the quality of one report is much better than of another, you may have the following distribution of points: 100 – 0, 95 – 5 or 90 – 10. If they are of almost the same quality, the distribution of points can be the following: 51 – 49 or 55 – 45. Reports with a totally identical quality are so rare that a 50 – 50 result of points distribution must not be taken as a basis for an agreement.

Preference is given to achieving agreement on the best one, rather then receiving an "indecisive" reply.

Team	**Points**
________________	________________
________________	________________

Evaluation by two representatives from different teams

Divide 150 points in such a way that they would reflect the comparative value of each report. For example, if you and your partner think that the quality of one report is much better than of another, you may have the following distribution of points: 149 – 1 – 0 or 135 – 10 - 5. If they are of almost the same quality, the distribution of the points can be the following: 51 – 50 – 49 or 55 – 50 – 45. Reports with a totally identical quality are so rare that a 50 – 50 – 50 result of points distribution or points distributions in which two reports get the same number of points (for example 60 – 45 – 45 or 60 – 60 – 30) must not be taken as a basis for an agreement. Preference is given to achieving agreement on the best one, rather then receiving an "indecisive" reply.

Team	**Points**
________________	________________
________________	________________
________________	________________

The results of points distribution are reported to the trainer.

All the discussions must be over …(set the time).

During the second stage – the discussion, the trainer monitors the teams, observing the peculiarities of coming to agreement in each group.

Manual for the third stage – analyzing the discussion

After the discussion is over and each group has distributed its points, the trainer puts down these results on the poster in appropriate “A”, “B” and “C” columns, ensuring that:

A) there are no same figures,
B) the discussion ended in time (it may be over earlier but not later), and
C) all the members of the group were satisfied with the distribution of points.

If at least one of these conditions is not met, the decision of the group is not taken into consideration and all the members of this discussion group get a zero.

On the basis of the average results of the discussion, the trainer announces the ranks each team received (places won by the teams), emphasizing at the same time the fact that the team that won is only the team that got more than 50 points.

After that the trainer analyzes the results of the discussion and the processes of taking decisions, stressing the peculiarities without using any names. This discussion leads to the mini-lecture on “Conflicts and the Ways of Solving Them” during which the strategies of conflict behavior are discussed.

At the fourth stage – feedback stage, we need to determine what strategies of conflict behavior were not discussed.

Manual for the third stage – feedback

Every participant in the discussion should write down his/her main and alternative styles of conflict behavior on the place given below. The main and alternative styles of conflict behavior your partner adheres to are to be recorded on “The style of conflict behavior of my partner” sheet.

Methodological Recommendations For Organizing "Role Playing"

Role playing is a group exercise for developing successive solutions under artificially created conditions that emulate the real environment.

Role playing can help form more professional qualities in the trainees as they polish their professional skills in conditions very close to reality. They must develop creative thinking, form practical knowledge and skills, use an individual style in communication and other behavior and resolve problems collectively.

A trainee learns to take into account a whole realm of real forces, the environment, interests of other individuals, the key functions in certain situations, etc.

Classification of role playing

1. ***According to their goals:***

- **Imitating realistic situations.** Work of offices or organizations,, actual events or activities of officials, meetings etc. are imitated. The scenarios would include the structure of the events, the relevant regulations, the actual environment, etc.
- **Operational role playing.** A “situational play” is worked out in which trainees have to play specific roles. The behavior, acts, fulfilling of functions and assumptions of officials are worked out in this kind of role-play.
- **The method of staging.** The main goal of this method is to teach the trainee to behave in different conditions: give an objective appraisal of personal behavior; take into consideration the capabilities of other people; establish contacts with them; and influence their interests, needs and activities. Some situations of human behavior in a certain environment is performed in these role-plays. The trainee must manage to grow accustomed to a chosen character, understand his/her work, evaluate the environment and determine the right behavior. A script that illustrates the situation, functions, characters and their goals is used for this method.
- **Psychodrama and sociodrama.** They are very close to “the operational role-plays” and “the method of staging”. But in this case mostly socio-psychological issues are set forward to: feel the situation in a group, evaluate and change the state of another person, enter into a productive contact with him/her, change the mood of the group, change the leadership in the group at will, etc. This method requires the existence of a detailed script.

2. ***According to the nature of modeled situations:***

- **Role-play with a rival.** The processes of management in terms of interconnected behavior and the influence of different systems on each other are being modeled.
- **Role-play with the environment.** The processes of management in terms of possible changes in the environment for the worse are being modeled.
- **Role-play simulator.** A process of management of a system in terms of arbitrary changes in the situation is being modeled. The skill of taking operative decisions and the mechanism of interaction of separate parts of the system are being worked out.

3. ***According to the nature of the process of playing:***

- **Contest.** The groups of trainees are not connected with each other, they play independently from one another and they start with the same situation but achieve different results.

- The relations between the groups of trainees are **competitive.** The action of one group directly of indirectly influences the action of another group. In this situation direct contact between the groups is not necessary.
- There is **interaction** between groups, with contact via different means of communications being the essential element of the role play.

4. <u>According to the way of transmitting and processing the information:</u>

- Role plays with active participation of the trainer.
- Role plays with the use of common communication means.
- Role plays with the use of common data carriers: texts, diagrams, etc.
- Role plays with models.
- Role plays with the use of automated training equipment.

5. <u>According to the dynamics of modeled processes:</u>

- Role plays with unlimited number of moves.
- Role plays with a limited number of moves.
- Role plays with a set limit of time.

Stages of role playing

<u>1st stage.</u> ***Preparation of the audience, participants and expert;, collection of additional information***.

If needed, the trainees may address the trainer and the expert for consultation. Preliminary contacts between the participants of the role play are also permitted.

<u>2nd stage.</u> ***Role play process.***

From the beginning of the role play no one has the right to interfere and to change its course. Only the trainer can correct the actions of participants if they go too far from the main goal of the role play.

<u>3rd stage.</u> ***The stage of analysis, discussion and evaluation of the results of the role play.***

Speeches of experts, exchange of ideas, trainees defend their decisions and conclusions.

In the **<u>conclusion</u>** the trainer states the results that were achieved, determines the mistakes and summarizes the training session.

The **<u>analysis of actions</u>** made during or after the role play allows the participants to review the alternate decisions, reveal their strengths and weaknesses while interacting with other people, and analyze the mistakes made. This analysis will later enable the trainees to solve more effectively similar issues that can occur in real life.

When preparing role plays one should take into consideration the following items:

- The role play must be built on the basis of logic of action but not the logic of the environment.
- The role play must reflect not all of the factors that occur in a real world but only the most important ones.
- To represent the role play you need to prepare methodical instructions about conducting it, instructions and roles for the actors and additional informational materials.
- A system of penalties and encouragements must be worked out in advance.
- The role play must be built in such a way that the constant interference of the trainer should not be needed.

- The trainer must know how to keep an eye on the players' behavior and support the needed level of emotional and intellectual efforts.

While discussing the role play the following issues should be reviewed:

1. Why were particular decisions taken?
2. What results did they lead to?
3. What did you like during the role play?
4. Does it correspond with reality?
5. What could be done differently?
6. What are the benefits of the role play?

Questions for introspection of trainers:

- Was this role play suitable for that audience?
- Was this role play oriented to the knowledge the trainees had?
- Were they using the information they obtained?
- Did the players have a choice?
- Were roles and events interdependent?
- Did you feel the enthusiasm of the participants?
- Was there good cooperation between them?
- How effective was the role play overall?

Methodological Recommendations For Conducting “Video Training”

Video training is aimed at receiving (systematizing) knowledge, learning skills and gaining the experience needed for successful interaction in terms of professional activities with the video.

Stages of video training:

1st stage: - Assignment setting
This stage can include different assignments:
- distribution of roles for role play
- preparation of presentation on the topic
- working out of a script

2nd stage: - presentation, carrying out of a role play (recording it at the same time)

3rd stage: - viewing short videos with a parallel or later analysis of partners’ and participants’ behavior

4th stage: - discussion of possible ways of behavior

5th stage: - repetition of presentation (role play) with the help of new variants of behavior (this does not need to be recorded)

6th stage: - feedback. Outcomes of video training.

Recommendations:

When discussing the behavior of participants of the video training you should focus on the positive behavior, mistakes must be discussed constructively (how to avoid these mistakes in the future and how to achieve more effective behavior).

Video training of the skills of the trainer
(task for group work)

Stage 1. Every team should prepare a presentation (3 minute-long introduction) during 10 minutes on one of the following topics:
1. If the concept of a new Budget Code is understood at the local level then …
2. If beauty saves the world then …
3. Who is guilty and what to do?
4. The problems of new businessmen are….
5. If we could afford not to work then …

Stage 2. One of the participants from every team (randomly selected) must do the team presentation in front of the camera.

Stage 3. As the watch the tape the participants should evaluate first on their own (during 2 - 3 minutes) and then in teams (during 5 minutes):
a) the positive aspects in each appearance,
b) the main problems, and
c) define these observations in their notebooks and tell them to the ones who were filmed.

Methodological Recommendations for Conducting “Brainstorming”

Brainstorming is a way of solving a problem by collecting a number of proposals for solving this problem in a short period of time.

The trainer can use this method in the process of situational teaching as an improvisation when the trainees unexpectedly come across difficulties in learning new material.

During the process of collecting ideas, any criticism is forbidden. After all ideas are collected, the discussion and selection starts.

A brainstorming session can be planned in advance during the training to find new solutions to a problem.

Stages of brainstorming:

Stage 1. Formation of the problem that needs to be solved; justification of search for a solution

Determination of conditions for work in groups and issuing the trainees the rules for searching for the answer and for appropriate behavior.

Formation of some work groups of 5-7 people each and an expert group whose responsibility is to work out the criteria of evaluation and selection of the best ideas.

Stage 2. Intellectual warming up

The trick is in finding answers to the questions of the training session extremely fast. The aim of this stage is to help the trainees get rid of the influence of all the factors that are holding them back, including psychological barriers (discomfort, inconvenience, fear of mistakes, etc.) as much as possible.

This method can appear in its incomplete, brief version -- to raise a problem question and address the audience for help, but it can also be seriously prepared and carried out comprehensively.

Stage 3. Brainstorm of an issue that has been raised.

First define the problem identified for brainstorming and tell some rules of solving it once more.

After the signal from the trainer, all groups begin to generate ideas simultaneously,

An expert (one of the trainees) is allocated to every working group whose function is to write down all the ideas put forward by this group.

Stage 4. Evaluation and choice of the best ideas.

The groups relax while the experts choose the best ideas according to the criteria.

Stage 5. Report about the result of a brainstorm.

Discussing the results of the groups’ work; explaining, evaluating and defending the best ideas.

Approving the collective decision and recommending to implement the best ideas.

When carrying out a “brainstorm,” some rules and conditions must be kept:

1. Conciseness and clearness of thoughts expressed by the participants.
2. The creative search is focused on a single problem, one object and there should be no going off the track.
3. Possibility and desirability to improve the statements and ideas set forward before.
4. Prohibition to repeat something that was already said by another participant.
5. Refusing to say anything regarding the question that is being “brainstormed”, is prohibited.
6. Tactfulness and friendliness of the trainer.
7. Prohibition of any critical remarks concerning what has been said.

Methodological Recommendations for Conducting a "Round Table"

"Round table" is one of the most effective tools to train specialists. Below are some points to keep in mind:

- A round table discussion is ideal for a topic that needs to be reviewed in all its different aspects: political, economic, legal, etc.

- All key specialists, officials and other interested individuals can be invited.

- It may be helpful to divide the topics (or parts of one topic) between the trainees so that they deliver reports on them during the discussion.

- Participants invited to the round table must know how, or will learn how, to give the maximum information possible in a short period of time, and to analyze and synthesize their thoughts in a form understandable to the others.

Methodological Recommendations for Moderating

Moderating of discussions is a common technique of trainers in group situations, particularly when the participants have a good basic knowledge of and some experience with the topic(s).

Moderator:

1. Is the conductor of the process and a specialist in its methods.
2. Uses special materials (like flip charts, cards).
3. Applies special techniques and methods for the group to determine, analyze and resolve problems.

Stages of moderation:

Stage 1 – Introduction
Stage 2 – Collecting topics
Stage 3 – Choosing a topic
Stage 4 – Developmental work with the topic
Stage 5 – Planning of activities
Stage 6 – Completion

Moderation techniques are used for:

- If the subject:
    a. needs specific results
    b. includes much information
    c. exceeds the competence of the trainer
    d. increases emotions
- if individuals:
    a. are competent in this area
    b. are directly interested in the result
- if the situation lends itself to:
    a. work in groups
    b. discussions and conferences
    c. teaching group processes
    d. designing work.

Case Study

Case studies are used to teach participants to cope with non-standard or unique situations in real life. According to Mr. Pavlo Sheremet, the Dean of the Kiev-Mohila Academy School of Business, a high quality case study should meet the following requirements:

1. ***The case is a skillfully presented story.*** It should contain a consistent presentation of the events, a plot, structure and good language. A case that contains actual information about a real company evokes more interest than an artificially created situation.
2. ***The case should explicitly or implicitly refer to an important administrative problem*** and relate to the general idea of the current subject matter. In addition, it should be interesting to the audience. The case should develop administrative skills, such as the ability to single out the important information from the irrelevant, and the ability to determine concrete questions, define the major problem and evaluate alternative solutions.
3. ***The case describes a major situation*** requiring a critical administrative decision. It should contain information about the difficult situation, the pros and cons of certain decisions, etc. A good example would be a case about maintaining the profitability of a company, which is often related to the necessity to reduce expenses, including cutting jobs and firing employees.
4. ***The case should contain the contrasts and comparisons***. For example, a case about a joint venture may tell about both of its founders and their management styles. Such information greatly facilitates a situation analysis by providing the background for comparison.
5. Despite the fact that ***each case,*** by definition, describes a specific situation, using specific details, it ***should provide the opportunity to make general conclusions.***
6. It is preferable for the case ***to refer to recent events, namely*** over the last five years.
7. ***There should be a main character in the case***. Experience proves that more involvement in the problem is achieved if the trainees identify themselves with the specific person in charge of making the decision. If there is an opportunity, it would be extremely interesting to invite the main character of the case to the audience and give the trainees a chance to talk to this person.
8. ***The case provides an opportunity to evaluate the effectiveness of administrative decisions that have already been made.***
9. ***The case should be neither too short nor too long***. The optimal size of the case is considered to be 8-12 pages of text, with 5-10 pages of tables and graphs. It is also important to remember that there are mini-cases of 1-2 pages which, if written professionally, can stimulate intensive discussions.
10. ***The case should contain the necessary (and sometimes supplementary) information,*** including statistical data, for proper analysis of the managerial situation.
    - It is necessary to provide sufficient information about the product or service described in the case.
    - It is necessary to provide statistical data (market growth, market segments occupied by the competing products, etc.) and important financial information (balance sheet, income statement, etc.).
    - It is important to provide personal data about the people involved in the case, their positions, and personal managerial style.

A case is not a mere skillful storytelling or a description of events. As was already stated, it is first and foremost a training instrument used for achieving concrete educational objectives.

Forming Personal "Professional Files"
(Task for team work)

Objective: The team should give an accurate one-paragraph description of the major performance characteristics of each member during the seminar. The description should focus on the major professionally relevant qualities.

Phase 1. **Data collection**

At first, each team discusses the professional behavior of each member, spending about ten minutes, focusing on words and phrases. These words and phrases (20-25 or more) should be picked quickly and spontaneously without paying much attention on whether they are repeated or related to each other.

The words may be of a concrete or abstract nature, and have a positive and/or negative connotation. Areas for improvement should be noted as well.

If the majority of words characterizing the participant's behavior are positive, it is very likely that the judgments are biased. In such a case the team should stop its work and critique it.

All the key words and phrases should be recorded accurately on the page provided below in the same order as they appear. These will then be used for writing up the written characteristics in Phase 2.

Some characteristics may contradict each other but the ***aim of this phase*** – is to refresh the memory and stimulate the thinking of the participants.

Controversial characteristics should also be noted. Controversial words and phrases often reflect the differences between the main and reserve behavior patterns or may just reflect different perceptions of the same action by different members of the team.

Phase 2. **Drawing up written characteristics**

The teams draw up the characteristics (one paragraph long) of each member on the page "My professional style". They should be described taking into account ***six components of personal efficiency:***

- initiative,
- ability to operate with data,
- promotion of ideas,
- ability to manage conflict,
- decision- making ability, and
- critical analysis of one's own activity.

The aim of this phase is to draw up a comprehensive analysis of the professional characteristics of each team member, which becomes a stimulus for self-improvement of every participant.

Phase 3. **Working up recommendations for professional improvement.**

During the last phase, write down the team recommendations for improvement of you as a professional trainer on the third page (provided below). These recommendations must be based on the information worked out by the team during the previous phase of compiling Your Professional Characteristics.

The recommendations should not be abstract, but, instead, they must be concrete, such as: learn…, develop…, work out… etc.

The time period allocated for completion of this task is ___________ .

Evaluation by the training participant of the trainer

1. Data selection	
- Presentation structure	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Introduction	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Main part	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Conclusion	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
2. Presentation delivery	
- intriguing introduction	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- continuous motivation	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- coherence	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- training objectives	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- presentation transparence	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- presentation skills	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
3. Trainer's personal characteristics	
- Appearance	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Language	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Energy	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Attitude towards the participants	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Situation management	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Self confidence	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
4. Methodological skills	
- Use of visual methods	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Equipment usage	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Encouragement of participation	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Activity stimulation	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
5. Time management	
- Timing	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10
- Complying with the time limits	1 – 2 – 3 – 4 – 5 – 6 – 7 – 8 – 9 – 10

Team's Impressions About Myself
(Words, Phrases, Expressions)

My Professional Style
(Team Characteristic)

Suggestions on Professional Efficiency Improvement

“ I listen – and I forget,

I see – and I remember,

I do – and I understand.”

(*Confucius*)

Budget Code Training Program

Application of the Budget Code Provisions

Module #1

“Introduction to the Budget Code”

The Ministry of
Finance of Ukraine

Topic 1

The Need for Designing a Financial System on Principally New Grounds

- Problems and shortcomings of the former budget system
- The Law does not regulate many issues
- Legislative grounds for the changes
- Conceptual grounds for reforming inter-budget relations

Topic 2

Basics of the Budget Process

- System of uniform procedures
- Generally accepted budget terminology
- Core principles of the structure and functioning of the budget system

Topic 3

Budget Process

- Core stages of budget formulation
- Budget timeline
- Financial planning and forecasting
- Budget execution and accounting:
  1) Budget apportionment
  2) Treasury servicing of local budgets

Topic 4

Transparency and Decentralization of Public Finances as a Prerequisite for Effective Performance

- Mission and goals of the Inter-Budget Code
- Separation of the inter-budget component of the Code
- Breakdown of expenditures between budgets
- Assignment of revenue sources
- Formula-based approach towards distribution of inter-budget transfers
- System of targeted subventions
- Promoting transparency of budget decisions

Topic 5

Establishing the Local Finance System

- Independence of local budgets
- Structure of local budgets
- Composition of revenues and expenditures
- Capital budget
- Equalization of expenditure capacity of local budgets
- Local borrowing
- Incentives for effective spending and increasing revenues

Topic 6

Formula of Distribution of Inter-Budget Transfers

- Norm of budget sufficiency
- Distribution of the amount of inter-budget transfers:

1) Calculation of expenditures

2) Factors that have the greatest impact on defining the amount of calculated expenditures

3) Calculation of revenues

4) Equalization mechanism, calculation of a transfer

Topic 7

Underpinning Enhancement of Responsibility

- Providing for transparency of formulation and execution of budget funds
- Evaluation of spending effectiveness and efficiency
- Financial discipline, compliance and responsibility

Key Elements or Structural Blocks to Be Addressed in the Process of Budget Reform:

- Institutional and legislative basis of inter-budgetary financing
- Distribution of expenditure assignment between budgets
- Assignment of revenue sources
- System of transfers
- Establishment of effective borrowing mechanisms
- Organization of effective control

Problems and Shortcomings of the Former Budget System:

- many questions were not regulated in accordance with the law
- a high degree of centralization
- discrepancy between commitments on expenditures and sources of financing
- system of inter-budgetary financing was chaotic and unpredictable
- absence of incentives to increase budget revenues
- prerequisites for accumulations of debts
- distribution of financial resources on “what-is-achieved” principle

Concepts Underlying Budget Reform as Reflected in the Budget Code :

- Generally accepted budget terminology
- Approval of a clear budget process and procedures
- Introduction of unambiguous local budget formulation regulations
- Distribution of expenditure entitlements
- Assignment of revenue sources to state and local budgets
- Formula-based approach to inter-budget transfers
- Financing of social programs independently via earmarked subventions
- Mechanism of tax potential leveling
- Treasury servicing of cash execution
- Budget revenue growth and its effective use
- Formulation of development budget
- Formulation of local borrowing mechanism
- Creating conditions to strengthen accountability
- Independence of local budget formulation

Basic Principles of the Budget System

- Cohesive
- Well-balanced
- Integral
- All-embracing
- Well-grounded
- Effective
- Subsidiary
- Earmarked use of budget funds
- Integrity and impartiality
- Open and transparent
- Accountability

Budget Classification

- This is single, systematic, functional categorizing of budget revenues and expenditures on the basis of similar properties, which ensures nationwide and international comparability of budget data.
- Is applied to supervise financial operations of government, local self-governance bodies and budget executers

<u>Components of budget classification</u>

- Revenue classification
- Expenditure classification
- Budget financing classification
- Debt classification

Budget Code Defines Four Stages of the Budget Process:

- Formulation of draft budgets
- Consideration and approval of the Law of Ukraine on State Budget, and resolutions on local budgets
- Budget execution including, if needed, introduction of changes to the Law of Ukraine on State Budget, resolutions on local budgets
- Drafting and consideration of a report on budget execution and taking relevant decisions

Budget Process Principles:

- To outline overall objectives of decision-making
- Develop approaches for meeting the objectives
- Develop a budget that is consistent with an objective-oriented approach. Financial plan and budget (which takes into consideration the goals and resource constraints) are prepared and approved
- Evaluate effectiveness and make any necessary programmatic adjustments. Programs, along with cost effectiveness, are to be continuously adjusted to meet the goals

Budget Process Components:

- To assess priorities, problems and community capabilities
- To identify capabilities and complications that may arise with regard to services, fixed assets and administration
- To set up and promulgate overall goals
- To endorse financial policy
- Develop program, operating and investment plans and policy
- Develop programs and services that coincide with policy and plans
- Develop managerial strategies
- Draw up a budget that is compatible with approaches of meeting the objectives.
- Develop a process of preparing and adopting the budget
- Design and assess financial variants
- Approve variants needed to approve the budget
- Assess effectiveness and make adjustments
- Supervise, measure, and assess effectiveness
- Make changes as needed

Goals and Objectives of the Budget Code Inter-Budget Component

- Clear distribution of expenditures
- Higher sustainability and predictability of cash
- Setting up a limit for local expenditures during a planning phase
- Create incentives to raise revenues and effectively use budget money
- Separate financing of social programs
- Ensure provision of social services
- Ensure unbiased distribution of transfers
- Introduce transfer execution mechanism
- Set up a mechanism of state and local borrowing
- Introduce treasury servicing of local budgets
- Establish fair and impartial distribution of public funds

Distribution of Expenditures Between Local Budgets

- Expenditures ensuring social services, guaranteed by the state and located at the shortest distance to the customers,
  -shall be executed from the village, settlement, town (or their associations) budgets
- Expenditures ensuring social services, guaranteed by the state for all citizens of Ukraine
  -shall be executed from the budgets of towns, ARC and towns of oblast jurisdiction as well as raion budgets
- Expenditures ensuring social services guaranteed by the state to some groups of residents or program financing
  -shall be executed from the ARC and oblasts budgets

Allocation of Revenue Sources

- Revenues assigned to local self-governance are accounted for in interbudget transfers
- ARC budget revenues, revenues of ARC, oblast and raion budgets, which are accounted for in interbudget transfers
- Local budget revenues, which are not accounted for in interbudget transfers
- Revenues of development budget of local budget

State budget transfers

- Leveling subsidy
- Social program subventions
- Subvention to reimburse for local budget losses resulting from privileges granted by the State
- Investment project subventions
- Other subventions

Basic Requirement for the Design of Inter-Budget Transfer System as Formulated by D. McMaster

- To make allowance for differences in financial needs of territories, provided their responsibilities are clearly identified
- To reimburse for differences between governments of the same level
- To cover the differences of governments of various levels as regards capabilities to finance expenditures
- To create incentives to raise efficiency of local potential to generate revenues
- Stable, predictable and consistent with the changes of territorial needs
- To discourage unwarranted spending of public money

Advantages of Formula-Based Distribution of Transfers

- **Formula,** being sustainable and presented in advance, allows application of principles of long-term planning and ensures rational budget decision-making on local level
- **Formula** avoids accusations of being politically or personally biased when deciding the transfers
- **Formula** ensures transparency.

Inter-Budget Transfers Formula has to Allow for the Following Parameters:

- Financial quotas of budget sufficiency and respective adjustment ratios
- Number of residents and consumers of social services
- Index of individual tax capacity of an appropriate town or raion
- Forward indicator of local governance budget revenue basket for Kiev and Sevastopol, towns of the ARC and oblast jurisdiction and revenue forecast for raion budgets
- Leveling ratio

Index of relative tax capacity is the relation of a territorial unit tax capacity to the similar average country indicator as calculated per capita

Local Finances
is a System of Economic Relations Assisting in Distribution and Redistribution of National Income to Ensure Further Economic and Social Development of Territories

- Government is implementing a dynamic social policy via local finances

- Achievement of economic and social development of territories

- Local authorities financial independence reflects overall country's independence

  - potential for economic development

  - state of democratic rights and freedoms

  - a state cannot develop successfully or its economy flourish unless it guarantees independence to local authorities.